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County of Santa Cruz

Santa Cruz, California

Single Audit Report

For the year ended June 30, 2009

SAR 3/26/10

C&L
Caporicci & Larson
Certified Public Accountants

County of Santa Cruz
Single Audit Report
For the year ended June 30, 2009

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Board of Supervisors
of the County of Santa Cruz, California
Santa Cruz, California

We have audited the basic financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Santa Cruz (County), as of and for the year ended June 30, 2009, and have issued our report thereon dated December 22, 2009. We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Toll Free Ph: (877) 862-2200 Toll Free Fax: (866) 436-0927

Oakland
180 Grand Ave., Suite 1365
Oakland, California 94612

Orange County
9 Corporate Park, Suite 100
Irvine, California 92606

Sacramento
777 Campus Commons Rd., Suite 200
Sacramento, California 95825

San Diego
4858 Mercury, Suite 106
San Diego, California 92111

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the Board of Supervisors, others within the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Caporicci & Larson

Irvine, California
March 20, 2010

C&L
Caporicci & Larson
Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Board of Supervisors
of the County of Santa Cruz, California
Santa Cruz, California

Compliance

We have audited the compliance of the County of Santa Cruz (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The County's major federal programs are identified in the summary of audit results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards in the United States; the standards applicable to financial audits contained in *Government Audit Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Toll Free Ph: (877) 862-2200 Toll Free Fax: (866) 436-0927

Oakland
180 Grand Ave., Suite 1365
Oakland, California 94612

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9 Corporate Park, Suite 100
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777 Campus Commons Rd., Suite 200
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San Diego, California 92111

A *control deficiency* in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the County as of and for the year ended June 30, 2009, and have issued our report thereon dated December 22, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.

This report is intended solely for the information and use of the audit committee, management, Board of Supervisors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Caporicci & Larson

Irvine, California
March 20, 2010

County of Santa Cruz
Single Audit Report
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2009

Program Name / Federal Grantor	Grantor / Pass-Through Entity Grant Number		Federal Catalog Number	Program Expenditures
Department of Agriculture				
Pass-Through Programs:				
California Department of Social Services				
Food Stamps	-	*	10.551	$ 21,895,540
Food Stamp Administration	-	*	10.561	2,527,315
Subtotal California Department of Social Services Pass-Through Programs				24,422,855
State Department of Education				
School Breakfast Program	44-34447-9003419-01		10.553	30,902
Total Department of Agriculture				24,453,757
Department of Housing and Urban Development				
Direct Programs:				
Supportive Housing Program - HMIS	-		14.235	64,097
Supportive Housing Program - Match	CA01SB50801		14.235	234,330
Subtotal Direct Programs				298,427
Pass-Through Programs:				
California Department of Health Services				
Housing Opportunities for Persons with AIDS	07-65539		14.241	119,450
Subtotal California Department of Health Services Pass-Through Programs				119,450
Total Department of Housing and Urban Development				417,877
Department of Justice				
Direct Programs:				
Cannabis Eradication Program	S7A4107044		16.579	16,000
Bryne Memorial Justice Grant (JAG)	2008-DJ-BX-0113		16.738	11,155
Bryne Memorial Justice Grant (JAG)	2007-DJ-BX-0276		16.738	1,642
Bullet Proof Vests	07040631		16.607	597
Subtotal Direct Programs				29,394
Pass-Through Programs:				
Governor's Office of Emergency Services				
Anti-Drug Enforcement Program	DC08190440		16.738	179,067
Victim Witness Assistance Program	VW08270440		16.575	75,587
Violence Against Women Vertical Prosecution	VV08040440		16.588	105,000
Subtotal Governor's Office of Emergency Services Pass-Through Programs				359,654

*Denotes Major Program

County of Santa Cruz
Single Audit Report
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2009

Program Name / Federal Grantor	Grantor / Pass-Through Entity Grant Number		Federal Catalog Number	Program Expenditures
Department of Justice, Continued				
California Department of Corrections and Rehabilitation				
Juvenile Accountability Incentive Block Grants	CSA 122-08		16.523	$ 17,776
Title II Formula Grant: Enhanced DMC-TAP Project	CSA 346-07		16.540	331,172
Title II Formula Grant: GirlZpace: Meeting the Needs of Juvenile Female Offenders	CSA 340-07		16.540	132,251
Title V Grant	CSA 401-01		16.548	41,430
Alcohol Beverage Control (ABC) Grant	07C-0108		16.727	23,000
Subtotal California Department of Corrections and Rehabilitation Pass-Through				545,629
Federal Asset Forfeiture Trust Funds	-		16.000	5,353
Southwest Boarder Prosecution Initiatives	-		16.000	116,581
Total Department of Justice				1,056,611
Department of Labor				
Pass-Through:				
California Department of Employment Development				
WIA Adult Programs				
Title I - A Adult Formula	-	*	17.258	947,121
ARRA Adult	-	*	17.258	41,737
WIA Youth Activities Programs				
Title I - Youth Formula	-	*	17.259	1,169,309
ARRA Youth	-	*	17.259	26,377
Title I-D Dislocated Worker Formula	-	*	17.260	900,277
Title I-D Dislocated Worker - Recapture (PY 07/08)	-	*	17.260	111,386
Title I Dislocated Worker - Formula Insufficiency	-	*	17.260	1,478
Dislocated Worker - State Stimulus	-	*	17.260	67,818
15% Incentive	-	*	17.260	4,572
Title I Rapid Response Special Project - Bird's-Eye	-	*	17.260	19,434
Title I Rapid Response for RA&PGM	-	*	17.260	141,189
ARRA Dislocated Worker	-	*	17.260	85,379
Other WIA Programs				
Governor's Cal-GRIP Initiative	-	*	17.259	260,683
Title I 15% Youth Special Project Foster Youth	-		17.263	19,397
Total Department of Labor				3,796,157

*Denotes Major Program

County of Santa Cruz
Single Audit Report
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2009

Program Name / Federal Grantor	Grantor / Pass-Through Entity Grant Number	Federal Catalog Number	Program Expenditures
Department of Transportation			
Pass-Through:			
California Department of Transportation			
Highway Planning and Construction	ESPL-5936 (076)	20.205	$ 31,462
Highway Planning and Construction	ESPL-5936 (076)	20.205	25,960
Highway Planning and Construction	ESPL-5936 (076)	20.205	20,025
Highway Planning and Construction	ER-4446-(001)	20.205	108
Highway Planning and Construction	ER-4446-(002)	20.205	27,024
Highway Planning and Construction	ER-4446-(004)	20.205	56,340
Highway Planning and Construction	ER-4446-(005)	20.205	35,824
Highway Planning and Construction	BPMP 5936(070)	20.205	2,906
Highway Planning and Construction	HBRR 5936(042)	20.205	9,917
Highway Planning and Construction	BRLO-5936(061)	20.205	3,865
Highway Planning and Construction	RPSTPL-5936(033)	20.205	88,530
Total Department of Transportation			301,961
Environmental Protection Agency			
Pass-Through:			
California State Water Resources Control Board			
Beach Monitoring and Notification Program Implementation Grants	04-35989	66.472	25,000
Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies	X8-96998701	66.716	36,332
Total Environmental Protection Agency			61,332
Department of Education			
Pass-Through:			
California Department of Education, Santa Cruz County Office of Education			
Special Education Grant, Individuals with Disabilities Education Act	-	* 84.027	578,673
California Department of Alcohol and Drug Programs			
Safe & Drug-Free Schools and Communities State Grants	SDF07-06	84.186	308,695
Total Department of Education			887,368
Election Assistance Commission			
Pass-Through:			
California Secretary of State: Help America Vote Act	05GR301044	90.401	24,806
Total Election Assistance Commission			24,806

*Denotes Major Program

County of Santa Cruz
Single Audit Report
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2009

Program Name / Federal Grantor	Grantor / Pass-Through Entity Grant Number		Federal Catalog Number	Program Expenditures
Department of Health & Human Services				
Direct Programs:				
Health Services for the Homeless	3-H80CS00048		93.224	$ 1,075,805
Early Intervention Services	H76HA00153		93.918	495,835
Subtotal Direct Programs				1,571,640
Pass-Through:				
California Department of Social Services				
Temporary Assistance for Needy Families - Assistance	-	*	93.558	13,219,693
Temporary Assistance for Needy Families - CalWorks Program and Staff Development	-	*	93.558	8,470,964
Temporary Assistance for Needy Families - Childcare	-	*	93.558	4,480,621
Temporary Assistance for Needy Families - EA - ER, ESC, CR	-	*	93.558	1,841,585
Temporary Assistance for Needy Families - CalWIN	-	*	93.558	386,568
Subtotal CFDA 93.558				28,399,431
Foster Care - Title IV-E				
AB2129	-	*	93.658	5,437
Child Welfare Services	-	*	93.658	882,993
Family Preservation	-	*	93.658	45,066
Foster Family Licensing	-	*	93.658	52,488
Options for Recovery	-	*	93.658	108,104
Foster Care - Administration	-	*	93.658	249,859
Foster Care Assistance	-	*	93.658	1,312,309
Kinship & Foster Care Emergency Fund	-	*	93.658	4,255
Child Welfare Services Title IV-E Probation	-	*	93.658	1,553,313
Foster Care Title IV-E Probation	-	*	93.658	1,611,321
Child Welfare Services Outcome Improvement Project	-	*	93.658	213,370
Subtotal CFDA 93.658				6,038,515
Group Home Monthly Visits Probation	-		93.659	37,528
Adoption Assistance				
Assistance	-		93.659	2,120,144
Social Services	-		93.659	362,442
Other Public Assistance	-		93.659	174,202
Subtotal CFDA 93.659				2,694,316
Social Services Block Grant				
Child Welfare Services - Title XX	-		93.667	167,832
Subtotal CFDA 93.667				167,832
Abandoned Infants Program	-		93.551	523,646
Promoting Safe and Stable Families - PSSF	-		93.556	140,129
PSSF Case Worker Visits	-		93.557	19,597
RCA Assistance	-		93.566	5,113
Community Based Child Abuse Prevention	-		93.590	16,991
Child Welfare Services - Title IV-B	-		93.645	314,590
Roots & Wings	-		93.652	183,298
Independent Living Program	-		93.674	152,488
Public Authority	-	*	93.778	754,387
Medical Assistance Programs - CMIPS II	-	*	93.778	124,840
Subtotal				2,235,079
Subtotal California Department of Social Services				39,535,173

* Denotes Major Program

County of Santa Cruz
Single Audit Report
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2009

Program Name / Federal Grantor	Grantor / Pass-Through Entity Grant Number		Federal Catalog Number	Program Expenditures
Department of Health & Human Services, Continued				
California Department of Child Support Services				
Child Support Enforcement	-		93.563	$ 5,602,602
California Department of Alcohol and Drug Programs				
Treatment Alliance for Safe Children	-		93.087	481,809
Block Grants for Prevention and Treatment of Substance Abuse	07-NNA44	*	93.959	1,804,061
Subtotal California Department of Alcohol and Drug Programs				2,285,870
California Department of Aging				
Medical Assistance Program - MSSP	-	*	93.778	541,311
California Department of Health Services				
Medical Assistance Programs				
CWS title XIX Adult Protective Services	-	*	93.778	382,218
IHSS Title XIX	-	*	93.778	1,160,641
Medi-Cal 50%	-	*	93.778	6,359,172
Medi-Cal Save 100%	-	*	93.778	31,631
Medical Assistance Program - CWS XIX	-	*	93.778	3,061,287
Safe Schools Healthy Students Project	-	*	93.778	105,764
Stable Family Preservation - Title XIX	-	*	93.778	90,970
Subtotal CFDA 93.778				11,191,683
Adolescent Family Life Planning Grant	2007-44		93.994	117,389
Maternal and Child Health Services Block Grant to the States	2007-44		93.994	82,213
Subtotal CFDA 93.994				199,602
Ryan White (HIV/AIDS) - Case Management	07-65083		93.917	81,248
Ryan White	07-65083		93.917	69,401
Positive Changes	07-65083		93.917	52,830
Subtotal CFDA 93.917				203,479
Immunization Assistance	07-65250		93.268	233,240
Immunization Registry	07-62610		93.268	28,571
Preparedness and Response to Bioterrorism	-	*	93.283	498,190
ARRA - IDS	-	*	93.703	8,873
HIV Prevention Activities - Health Department Based	07-65083		93.940	20,497
Subtotal				789,371
Subtotal California Department of Health Services				12,925,446
California Department of Mental Health				
Projects for Assistance in Transition from Homelessness (PATH)	-		93.150	36,893
State Children's Insurance Program	-		93.767	40,505
Medi-Cal Administrative Activities	-	*	93.778	60,102
Medicaid Assistance Program	-	*	93.778	1,600,341
Medical Assistance Program - MediCal Administrative	-	*	93.778	489,261
Block Grant for Community Mental Health Services (SAMHSA)	-		93.958	118,595
Subtotal California Department of Mental Health				2,345,697
Total Department of Health & Human Services				64,266,428

*Denotes Major Program

County of Santa Cruz
Single Audit Report
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2009

Program Name / Federal Grantor	Number	Number	Expenditures
Department of Homeland Security			
Pass-Through:			
Governor's Office of Emergency Services			
State Domestic Preparedness Equipment Support Program			
Homeland Security Grant Program FY06	2006-71	97.073	$ 48,109
Homeland Security Grant Program FY07	2007-8	97.073	114,786
Subtotal CFDA 97.073			162,895
Homeland Security Grant Program FY06	2006-71	97.074	41,919
Homeland Security Grant Program FY06	2007-0008	97.074	98,025
Subtotal CFDA 97.074			139,944
Public Assistance Grants			
Disaster Grants	087-00000	97.036	3,293,223
Disaster Grants	087-91052	97.036	208,087
Subtotal CFDA 97.036			3,501,310
Flood Mitigation Assistance	2006-0003	97.029	176,623
Homeland Security Grant Program FY06	2008-0006	97.067	32,227
Emergency Management Performance Grant 2006	2008-9	97.042	81,042
Subtotal			289,892
Total Department of Homeland Security			4,094,041
Total Federal Financial Assistance			$ 99,360,338

*Denotes Major Program

1. REPORTING ENTITY

The Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federal award programs of the County of Santa Cruz, California (County). The County's reporting entity is defined in Note 1A of the County's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through to the County from other governmental agencies, are included on the Schedule.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting*

Funds received under the various grant programs have been recorded within the general, special revenue, and enterprise funds of the County. The County utilizes the modified accrual method of accounting for the general fund and special revenue funds. The accrual basis of accounting is used for the enterprise funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of the County's basic financial statements.

B. *Schedule of Expenditures of Federal Awards*

The accompanying Schedule presents the activity of all Federal financial assistance programs of the County. Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through the State of California is included in the Schedule.

The Schedule was prepared only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the County.

3. SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the County provided federal awards to subrecipients as follows:

Federal CFDA	Program Title	Amount
16.540	Title II GirlZpace	$ 174,677
16.540	Title II Disporportionate Minority Confinement Project	100,981
93.150	Projects for Assistance in Transition from Homelessness	36,893
93.563	County of San Benito Child Support	1,797,649
93.778	MediCal Administrative Activities	10,600
93.958	Substance Abuse and Mental Health Services (SAMSHA)	70,627
93.959	Substance Abuse Prevention and Treatment Block Grant	1,491,911
	Total	$ 3,683,338

4. PROGRAM CLUSTERS

Federal programs, which must be audited together as a program cluster, include the following:

CFDA	Program Title	Amount
	Food Stamp Cluster:	
10.551	Food Stamps	$ 21,895,540
10.561	Food Stamp Administration	2,527,315
	Total	$ 24,422,855
	WIA Cluster:	
17.258	WIA - Adult	$ 988,858
17.259	WIA - Youth	1,456,369
17.260	WIA - Dislocated Workers	1,263,715
	Total	$ 3,708,942

5. TOTAL FEDERAL AWARDS EXPENDED BY CFDA NUMBER

When there is more than one program under a single CFDA number that is used by multiple departments, the total is provided below:

Federal CFDA	Total Federal Expenditures
93.778	
Department of Social Services	$ 879,227
Department of Health & Human Services	11,732,994
Department of Mental Health	2,149,704
Total	$ 14,761,925

6. DEPARTMENT OF AGING FEDERAL/STATE SHARE

The California Department of Aging (CDA) requires agencies who receive CDA funding to display state-funded expenditures discretely along with federal expenditures. The County expended the following state and federal amounts under these grants:

Federal CFDA	Contract Number	Federal Expenditures	State Expenditures
93.778	MS-0809-02	$ 270,655	$ 270,655

County of Santa Cruz
Single Audit Report
Schedule of Findings and Questioned Costs
For the year ended June 30, 2009

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the County of Santa Cruz (County).
2. No significant deficiencies relating to the audit of the financial statements are reported in the basic financial statements.
3. No instances of noncompliance material to the basic financial statements of the County were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the basic financial statements.
5. The auditors' report on compliance for the major federal award programs for the County expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for the County were reported.
7. The programs tested as major programs include:

CFDA Number	Major Program	Expenditures
10.551	Food Stamp Valuation	$ 21,895,540
10.561	Food Stamps Staff Development	2,527,315
17.258	WIA Adult	988,858
17.259	WIA Youth	1,456,369
17.260	WIA - Dislocated Workers	1,263,715
84.027	Individuals with Disabilities Act	578,673
93.283	Preparedness & Response to Bioterrorism	498,190
93.558	Temporary Assistance for Needy Families	28,399,431
93.658	Foster Care	6,038,515
93.703	ARRA - Health Center Development Initiative	8,873
93.778	Medical Assistance Program	14,761,925
93.959	Substance Abuse Prevention & Treatment	1,804,061
	Total Major Program Expenditures	$ 80,221,465
	Total Federal Award Expenditures	$ 99,360,388
	Percent of Total Federal Award Expenditures	80.74%

8. The threshold for distinguishing Types A and B programs was $2,980,810.
9. The County was determined to be a high-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

No financial statement findings were noted.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

No findings or questioned costs were noted on the County's major programs.

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS FROM PRIOR YEAR AUDITORS

08-SA-1 **Block Grants for Prevention and Treatment of Substance Abuse (SAPT)**

CFDA 93.959	
Federal Grantor:	U.S. Department of Health and Human Services
Pass-Through Entity:	California Department of Alcohol and Drug Programs
Compliance Requirement:	Subrecipient Monitoring
Reporting Requirement:	Significant Deficiency and Material Noncompliance in Relation to a Compliance Supplement Audit Objective

Criteria

Under OMB Circular A-133, Organizations that receive federal awards are required to monitor subrecipients' use of federal awards through site visits, limited scope audits, or other means.

Condition

During our audit we noted that the County's subrecipient-monitoring system is not sufficient to ensure the subrecipient's compliance with laws, regulations and provisions of grants and contracts.

One of the County's subrecipients subject to a Single Audit, was found to be unable to identify the amount of pass-through funds received from the County and lacked proper authorization for expenditures.

Questioned Costs

Cannot be determined at this time.

Context and Effect

The County did not respond or take corrective action to findings in one of their subrecipients' Single Audit findings. Unallowed costs could be charged to the federal program by the subrecipient.

We could not determine if the County's subrecipients contracted by the Alcohol and Drug Program were in compliance with federal grant requirements based on the monitoring process performed.

Cause

The Monitoring Instrument used by the County's Alcohol and Drug Program does not include a review of the subprecipients fiscal compliance with federal grant requirements. The subrecipients' Single Audit report was not received on a timely basis, and there was not an appropriate corrective plan made in response to the subrecipients' Single Audit findings.

Recommendation

We recommend that the County's subrecipient monitoring systems be reviewed to ensure they incorporate provisions to review subrecipients' compliance with laws, regulations and provisions of grants and contracts.

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS FROM PRIOR YEAR AUDITORS, Continued

08-SA-1 **Block Grants for Prevention and Treatment of Substance Abuse (SAPT), Continued**

Corrective Action Plan

Health Service Agency has reviewed the Substance Abuse Contract Monitoring Tool and will incorporate a provision requiring contractors to submit final copies of their respective audit reports within 10 days of issuance of the report.

Substance Abuse Division staff will review the report for adverse findings and discuss same with contractor staff within 10 days of receipt. Substance Abuse staff will also forward all audit reports to the Health Services Agency Chief of Fiscal Services and the Auditor-Controller Audit Manager within 10 days of receipt from the contractor, and include any information obtained from contractor's staff.

Status

In progress.

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS FROM PRIOR YEAR AUDITORS, Continued

08-SA-2 **Block Grants for Prevention and Treatment of Substance Abuse (SAPT)**

CFDA 93.959	
Federal Grantor:	U.S. Department of Health and Human Services
Pass-Through Entity:	California Department of Alcohol and Drug Programs
Compliance Requirement:	Subrecipient Monitoring
Reporting Requirement:	Significant Deficiency and Material Noncompliance in Relation to a Compliance Supplement Audit Objective

Criteria

Under OMB Circular A-133, the Pass-Through Entity (County) is responsible to identify and inform each subrecipient of the amounts and types of federal awards being provided.

Condition

During our audit, we noted that the County did not identify federal awards granted to one of its Drug and Alcohol Program's subrecipients, Janus of Santa Cruz, on a timely basis. The County's Drug and Alcohol Program has multiple revenue sources. When the County makes contracted advance payments to subrecipients the sources of funds are unclear, because it is not known under which revenue source future patients will be eligible. This is done to maximize the use of funds available to the Drug and Alcohol Program.

Questioned Costs

Cannot be determined at this time.

Context and Effect

During our review of Single Audit and Financial Reports issued by Janus of Santa Cruz, we noted that the subrecipient failed to properly identify federal funds. The subrecipient was found to be not in compliance with OMB Circular A-133, as reported in their Single Audit Report for the year ended June 30, 2008 issued on June 2, 2009.

Cause

The County's process of determining the amounts and types of funds used for subrecipient funding is not completed on a timely basis.

Recommendation

We recommend that the County identify federal awards provided to each subrecipient and inform them on a timely basis.

Corrective Action Plan

This problem was identified in Janus's fiscal year 07-08 and has since been corrected. Now, at the close of each fiscal year, subrecipients must complete data entry for services rendered within 16 days of the end of the fiscal year. Contractors must also submit an agency cost report within 30 days of the end of the fiscal year. Upon receipt of the agency's cost report, services claimed against federal award funds are verified and a report is generated. This report is provided to the contractor within 1 week of receipt of the agency's cost report. This report is considered provisional due

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS FROM PRIOR YEAR AUDITORS, Continued

08-SA-2 **Block Grants for Prevention and Treatment of Substance Abuse (SAPT), Continued**

to changes that may occur from Drug Medi-Cal approvals/denials and adjustments which are made at the State level via the NNA/DMC State Cost Report. However, this procedure provides sufficient information to the subrecipient agencies and their auditors in order to perform timely audits of federal funding.

Status In progress.